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Stuck in the middle: job market polarization

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Inequality is a popular topic in the news, especially about the American middle class. The Great Recession ended about 6 years ago, but some industries known for mid-level jobs have yet to recover all of the jobs lost during the recession. Data show that wages and employment for mid-level jobs declined over the last 25 years, while wages for workers at the bottom and top of the wage distribution have increased. In contrast, business owners complain that the labor market lacks skilled mid-level workers and so mid-level job vacancies go unfilled. In [“Job market polarization and U.S. worker skills: a tale of two middles”](#) (The Brookings Institution, *Economic Studies at Brookings*, April 2015), author Harry Holzer explains the recent polarization of the middle-class job market.

Holzer provides a number of reasons why this polarization occurs. Citing work from labor economist David Autor, he notes that routine tasks among middle-skill jobs have been replaced by technology. Middle-skill jobs that continue to pay well are those which require reasoning or communications skills that aren't easily replicated by machines. Also, some low-wage service jobs still demand personal interaction; this is not single-handedly replaced by technology. Furthermore, Holzer delves into the difference in definitions among middle-skilled jobs and how these differences affect wages. While many middle-skilled jobs are middle-wage jobs, occupational and educational levels differ, so categorization can affect the measurement of wages and educational attainment. Workers with an associate's degree who earn technical credentials typically have higher wages than those who majored in liberal sciences or general studies. So, by lumping all middle-skilled workers who have associate's degrees into one category, average earnings for this educational group skew lower than if we looked at earnings of only those workers with technical credentials. Thus, the average of wages for all middle-skill jobs is not that useful.

Using Bureau of Labor Statistics data from the Occupation Employment Statistics program, Holzer further defines middle-wage jobs to better explain polarization in the labor market. Middle-wage jobs have hourly wages “between 75 and 150 percent of the median wage in 2000.” Middle-wage jobs are further broken down to “older-middle” and “newer-middle” jobs. Older-middle jobs have declined over the past few decades because of technology, the recession, or globalization. Newer-middle jobs require more complex technical or communication skills and higher education than older-middle jobs. Some newer-middle jobs fall under these broad occupational groups: health; installation, maintenance, and repair; construction; managerial (low-end) and services (high-end). Some are also STEM (science, technology, engineering, mathematics) jobs, like production occupations where workers must understand intricate technical systems.

The overall employment share of middle-wage jobs decreased from 39.1 percent in 2000 to 36.6 percent in 2013. Over the same period, older-middle jobs decreased 3.3 percent and newer-middle jobs increased 0.8 percent. The decrease in middle-wage jobs is potentially reversible. Jobseekers with bachelor's degrees flooded the job market during the recent recession, and employers began to demand that applicants for middle-skilled jobs have a bachelor's degree for positions that previously didn't require one. As the job market continues to rebound, Holzer believes that employers will have to once again pay a “BA premium” for workers in the new economy, and middle-skilled jobs will be open to

true middle-skilled workers. Holzer also assumes that the housing market will bounce back and the demand for construction workers will increase.

However, even as the market demands more middle-skilled workers, will the labor supply fit the bill? Business owners complain that they're unable to attract skilled workers. In certain high-growth sectors, like health care and information technology, this supply shortage isn't surprising as those occupations require specific, detailed skills that were previously not required in these industries. However, Holzer notes that major sectors did not experience any real wage growth in 2013, and on-the-job training has decreased overall as businesses cut costs. Employers are also hesitant to invest in young employees who change jobs quickly or workers with feeble skills who are slow to learn. Also, small businesses may have a hard time implementing training; they may lack the general knowledge of how to do so and can't afford upfront costs. These factors, coupled with a rebounding but tepid economy, do not bode well for middle-skilled workers. Perhaps this is why many employers offshore middle-skilled jobs.

What can be done to refill the hole of middle-skill jobs and workers? Instead of relying on higher education to supply successful bachelor of arts candidates for middle-skill roles, Holzer asserts that our focus should shift to community colleges. They provide specific job-driven training through partnerships with employers and STEM education for middle-skilled occupations. He concludes that if state and federal incentives support this idea among candidates, educators, and employers, it's possible that the middle class can rebound.